



**MINUTES FROM MEETING OF BANKING SUBCOMMITTEE
OF THE CASH MANAGEMENT POLICY BOARD
AUGUST 14, 2019**

A meeting of the Banking Subcommittee (“Subcommittee”) of the Cash Management Policy Board (“Board”) was held on August 14, 2019 at 10:00 a.m. in the main conference room of the Office of the State Treasurer (“OST”), 820 Silver Lake Blvd., Suite 100, Dover, Delaware.

Subcommittee Members Represented or in Attendance:

Mr. Warren Engle, Subcommittee Co-Chair (Telephonically)
Ms. Tarrie Miller, Subcommittee Co-Chair (Telephonically)
The Honorable Colleen Davis, State Treasurer (Telephonically)
Ms. Stephanie Scola, Bond Finance Director, Department of Finance

Subcommittee Members Not Represented or in Attendance:

Mr. John Flynn, Board Chair

Others in Attendance:

Mr. Jason Staib, Deputy Attorney General, Department of Justice
Ms. Liza Druck, Deputy State Treasurer, OST
Mr. Josh Berkow, Director of Debt and Cash Management, OST
Mr. Khary Dewitt, Director of Banking Services, OST
Ms. Chris Haas, Director of Communications and Policy Advisor, OST

CALLED TO ORDER

Mr. Engle called the meeting to order at 10:06 a.m.

APPROVAL OF MEETING MINUTES

A MOTION was made by Treasurer Davis and seconded by Ms. Miller to approve the minutes of the May 8th meeting.

MOTION ADOPTED UNANIMOUSLY

BANKING SERVICES PROJECT UPDATE

Stored Value Card Implementation

Mr. Berkow discussed the implementation of the new Stored Value Card provider, U.S. Bank. Mr. Berkow stated that there are three active Stored Value Card programs across the State: Department of Labor for unemployment, Department of Health and Human Services for child support, and the Department of Services for Children, Youth, and their Families for foster care. Due to the complexity of their respective programs, the initial project efforts have focused on transitioning the unemployment and child support programs. Mr. Berkow reported that OST has nearly completed the communications

plan for both transitions, including information for current beneficiaries regarding the details of the new programs. Mr. Berkow indicated that OST is experiencing some technical challenges with establishing connectivity between the State and U.S. Bank; however, OST is still aiming to complete the transition for all three programs by the end of the calendar year.

Discussion and Vote on Banking Contract Updates

Mr. Berkow reminded the Subcommittee that, at the last Board meeting, OST received approval to finalize the banking services contract with JP Morgan. Mr. Berkow reported that as of August 13, OST has officially executed the agreement with JP Morgan, which will become effective beginning August 19. Mr. Berkow reported that OST has negotiated a fee waiver extension, whereby the waiver of banking fees as proposed in JP Morgan's RFP response, will not begin upon contract execution. This fee waiver extension will allow the State to realize additional cost savings by delaying the fee waiver start date for various banking services.

Due to the delayed execution of the JP Morgan contract, and the projected timeline needed to transition services, Mr. Berkow introduced the topic of contract extensions with current providers, BNY Mellon and PNC Bank. Mr. Berkow proposed that both contracts be extended for one year, allowing for an orderly transition to JP Morgan. Mr. Berkow stated that he does not believe OST will need the full year, but the one-year extension would allow for a thoughtful and smooth transition.

A MOTION was made by Mr. Engle and seconded by Treasurer Davis to recommend to the Board that OST be granted the authority to extend contracts with BNY Mellon and PNC Bank for one year (to allow for an orderly transition to JP Morgan in 2020).

MOTION ADOPTED UNANIMOUSLY

LOCAL BANK PROJECT RFP

Discussion and Vote on Local Bank Award Recommendations

Mr. Berkow informed the Subcommittee about the Local Bank RFP that was issued last year and segregated from the holistic Banking Services RFP. Mr. Berkow stated that the reasoning was to allow for those banks with local branch banking needs to have access to a convenient branch network across the State. Mr. Berkow stated that the RFP indicated that OST may select a primary provider, but also allowed for OST to issue multiple awards that would provide statewide coverage. Four proposals were received for Local Bank services from Citizens, WSFS, M&T Bank, and TD Bank. An evaluation committee weighed the proposals and are recommending that all four vendors be awarded contracts, with M&T Bank being designated the primary, but not exclusive over-the-counter collections bank. Mr. Berkow noted that this would represent a change for the State, as Citizens is currently the incumbent provider for these services. Mr. Berkow stated that the evaluation committee and PFM are recommending this structure to ensure agencies can engage with banks that are within a reasonable geographic proximity.

The Subcommittee discussed the transition plan for current accounts. Mr. Berkow stated that agency accounts currently maintained with one of the four approved banks may be permitted to remain with these banks, although formal exception requests may be required to use a bank other than M&T. Accounts with non-approved vendors will be required to move to M&T, although exception requests will also be considered by OST to use other approved banks.

A MOTION was made by Mr. Engle and seconded by Ms. Miller to recommend to the Board that OST be granted the authority to negotiate and execute contracts with recommended Local Bank vendors.

MOTION ADOPTED UNANIMOUSLY

MERCHANT SERVICES UPDATE

Discussion and Vote on Recommendation Regarding PCI Assessment Vendor

Ms. Davis provided an update to the Subcommittee on the Merchant Services project. Ms. Davis informed the Subcommittee that OST has begun to look at Merchant Services in a more holistic manner. Ms. Davis stated that when OST references Merchant Services, this is inclusive of the State's credit and debit card and ACH transaction processing capabilities, the gateways that facilitate the transactions, and the PCI and other compliance issues presented by these transactions. For gateway services, the State has contracted with Govolution since 2001. Ms. Davis stated that this contract was initially negotiated with the Department of Technology and Information but was assigned to OST, effective July 1. Ms. Davis noted that front-end processing of credit and debit card transactions is contracted with Bank of American Merchant Services ("BAMS"). Ms. Davis also discussed PCI compliance issues.

Ms. Davis stated that, over the last year, PCI compliance has been brought before the Board and Subcommittee. PCI standards are considered best practices, violations of which may subject merchants to fines or loss of services. Ms. Davis stated that PCI compliance helps to guard against security breaches. Ms. Davis indicated that in January 2019 OST engaged Arrow Payments to make preliminary recommendations on things the State could do better with respect to Merchant Services. One of the near-term actionable recommendations was for the State to address PCI compliance issues. Ms. Davis also indicated that OST had engaged CampusGuard to assist agencies with annual PCI questionnaires. Ms. Davis noted that CampusGuard offers comprehensive assessments and could perform a deeper assessment and mitigation plan.

The Subcommittee discussed PCI compliance issues and the situation with Visa. Mr. Engle inquired if the engagement of CampusGuard to perform a formal PCI assessment would negate any future potential for fines. Ms. Davis confirmed this and indicated that failure to comply with PCI standards could result in the suspension or loss of credit/debit card processing capability, which accounts for approximately \$300 million in State revenues annually.

A MOTION was made by Mr. Engle and seconded by Ms. Scola to recommend to the Board that OST be granted authority to procure PCI Compliance consulting and assessment services.

MOTION ADOPTED UNANIMOUSLY

Discussion and Vote on Payment Technology and Compliance Consulting Services

Ms. Davis introduced the topic of subject matter expertise for Merchant Services. Ms. Davis stated that there is a need for someone with extensive knowledge of payment processing and PCI security standards. Ms. Davis noted two options: (1) expand the membership of the Board to include someone with this expertise, or (2) procure a consultant (similar to that which NEPC does for the Board and the Investment Subcommittee). If the Board were to pursue the latter option, Ms. Davis indicated that OST would join in the engagement given its oversight role vis-à-vis gateway services. Ms. Davis stated that, should the Board opt for this approach rather than expanding membership, then OST would recommend that the Board authorize and direct that OST issue an RFP to engage a Merchant Services consultant.

Mr. Engle stated that, while the Board could add a Subcommittee member with requisite expertise, Board-level additions may require statutory changes. Mr. Engle further observed that there would be significant value in adding a consultant with expertise in payment processing, including ACH.

A MOTION was made by Treasurer Davis and seconded by Mr. Engle to recommend to the Board that OST commence an RFP process for payment technology and compliance consulting services. MOTION ADOPTED UNANIMOUSLY

PUBLIC COMMENTS

No members of the public present for comment.

NEXT MEETING

The next meeting is scheduled for November 13, 2019.

ADJOURNMENT

A MOTION was made by Ms. Miller and seconded by Treasurer Davis to adjourn the meeting at 10:58 a.m.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

Warren Engle
Chair, Banking Subcommittee

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